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## **INTRODUCTION**

The Office of Internal Audit performed an audit of Clinton/Shiawassee County FIA for the period October 1, 2000 through July 10, 2001. The objective of our audit was to determine if internal controls in place at the local offices provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Clinton/Shiawassee County FIA had 101 full time equated positions (FTE's) at the time of our review. Clinton/Shiawassee County FIA provided assistance to an average 4,186 recipients per month in FY 2000, with total assistance payments of \$4,733,658 for the fiscal year.

## **SCOPE**

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at Clinton/Shiawassee County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts	Cash Disbursements
General Ledger	Modified Accrual Basis Balance Sheet
Safe and Controlled Documents	Medical Transportation
State Emergency Relief (SER)	Employment Support Services
Client Processing	CIS/ASSIST
IRS Information Security	Payroll and Timekeeping
Procurement Card	Contracting

## **EXECUTIVE SUMMARY**

Based on our audit, we conclude that the Clinton/Shiawassee County FIA internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. However, Client Information System and ASSIST system access controls need improvement.

## **LOCAL OFFICE RESPONSE**

The management of Clinton/Shiawassee County FIA has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated October 3, 2001 that they are in general agreement with the report.

## **CLINTON/SHIAWASSEE COUNTY FIA**

## **COMMON RECOMMENDATIONS FOR IMPROVED INTERNAL CONTROLS**

The following are areas where we have identified a common control weakness at Clinton/Shiawassee County FIA, and we are recommending a change in procedure to reduce the risk associated with the control weakness.

### **Cash Receipts**

#### **Warrants Returned/Received at the Local Office**

1. Clinton/Shiawassee County FIA did not have staff independent of the Fiscal unit review the disposition of warrants returned/received at the Local Office. Internal control over the disposition of returned/received warrants is improved by having staff independent of the Fiscal unit review the disposition to determine if the warrants are processed as instructed by the Family Independence Specialists.

WE RECOMMEND Clinton/Shiawassee County FIA have staff independent of the Fiscal unit review the disposition of warrants returned/received at the Local Office.

### **State Emergency Relief**

#### **Supporting Documentation for State Emergency Relief Payments**

2. Clinton/Shiawassee County FIA did not follow established procedures for State Emergency Relief (SER) payments submitted to the Fiscal Office for reconciliation with the FIA-849, 93 (A) Issuance Report (ES-440). Review of the May 2001 ES-440 Report for Clinton County FIA disclosed nineteen of twenty-one payments that did not have original documentation attached to the Authorization Invoice (FIA-849) on file in the Fiscal Office. Eight payments did not have a worker's signature and four payments did not have documentation that supported the amount paid. At Shiawassee County FIA, a review of the March 2001 ES-440 Report disclosed 58 of 65 payments did not have original documentation attached to the FIA-849, 22 payments did not have a worker's signature, and 3 payments did not have documentation that supported the amount paid.

Primary Internal Control Criteria for Local/District Office Operations and Accounting Manual (ACM) Item 404, page 3, require that an original invoice/bill from the vendor be attached to the FIA-849/screen print forwarded to the fiscal office for reconciliation to the ES-440 report.

Attaching the original invoice/bill for the amount to be paid to the Fiscal Office copy of the FIA-849 and requiring the worker to sign the FIA-849 helps ensure that payments are accurate and appropriate.

WE RECOMMEND Clinton/Shiawassee County FIA attach the original invoice/bill for the amount to be paid to the Fiscal Office copy of the Authorization Invoice (FIA-849), as required by the FIA Internal Control Criteria and Accounting Manual 404.

WE ALSO RECOMMEND the workers sign all Authorization Invoices (FIA-849).

### **CIS/ASSIST**

#### **Client Information System (CIS) Status Codes**

3. Clinton/Shiawassee County FIA had assigned Client Information System (CIS) status codes that were inconsistent with staff job responsibilities.

In Clinton and Shiawassee County the reception staff had been assigned either “FLM” or “CRS” on CIS and also had ASSIST job type 360 (Registration Support Clerk).

The Primary Internal Control Criteria for Local/District Office Operations states that staff with ASSIST registration capability should not have CIS file maintenance capability.

Assigning CIS status codes to allow staff access to transactions that are inconsistent with their job functions or responsibility increases the risk of unauthorized transactions being processed that would not be detected in a reasonable period of time.

WE RECOMMEND Clinton/Shiawassee County FIA either change the Client Information System (CIS) status codes of the reception staff to Inquiry (INQ) or “IRG” status on CIS, customize the status of the receptionists to eliminate incompatible transactions, or have independent staff review all transactions for the reception staff that appear on the Transaction Control Report (MA-010).

Client Information System (CIS) and ASSIST Enrollment Profile/Security Agreements

4. Clinton/Shiawassee County FIA did not have current and accurate Client Information System (CIS) Security Agreements (FIA-3974A) or ASSIST Enrollment Profiles (FIA-3720) and Security Agreements (FIA-3721) on file for staff who access CIS and ASSIST.

Our review disclosed forms that were not signed by staff or supervision, staff with name changes that did not have new forms prepared, status codes on the Operator Identification Report (PF-011) and job types on the Monthly User Listing (VB-9554) that were different than what was reported on the forms. In addition, forms could not be located for some staff, signed forms were on file without a status, and ASSIST job types were added to staff job profiles without preparation of new forms or approval by supervision. We also found ASSIST job types reported on the VB-9554 for staff who had forms on file to delete the job types from their job profiles.

CIS Security Policy L-Letter L-97-063 requires an FIA-3974A or FIA3720 and FIA-3721 to be prepared for all new users of CIS and ASSIST, and for all current users each time an enrollment change is proposed.

WE RECOMMEND Clinton/Shiawassee County FIA review the Client Information System Enrollment Profile/Security Agreements (FIA-3974A) and ASSIST Enrollment Profiles (FIA-3720) and Security Agreements (FIA-3721) to determine that correct and accurate forms are on file for all staff.

WE ALSO RECOMMEND Clinton/Shiawassee County FIA review the VB-9554 to ensure that all staff have the job types that are authorized on their FIA-3720's.



Reconciliation of the Client Information System (CIS) and ASSIST Security Officer's Log Reports

5. Clinton/Shiawassee County FIA did not have independent staff reconcile the transactions on the CIS (PD-180) or the ASSIST (VB-9173) Security Officer's Log Report with a revised CIS (FIA-3974A) or ASSIST (FIA-3720) Enrollment Profile/Security form.

The Primary Internal Control Criteria for Local/District Office Operations requires a complete reconciliation of the Security Officer's Log Reports, PD-180 and VB-9173, with the CIS and ASSIST Enrollment Profile forms signed by management or supervision. Staff with inquiry only capability, or staff with update capability who are not the Security Coordinator, performs this reconciliation.

WE RECOMMEND Clinton/Shiawassee County FIA have staff other than the Security Coordinator reconcile the Client Information System (CIS), (PD-180) and ASSIST (VB-9173) Security Officer's Log Reports with the CIS (FIA-3974A) and ASSIST (FIA-3720) Enrollment Profile/Security Agreements.

Review of the Client Information System (CIS) Operator Identification Report (PF-011)

6. Clinton/Shiawassee County FIA did not have supervisory staff review the Client Information System (CIS) Operator Identification Report (PF-011).

The Primary Internal Control Criteria for Local/District Office Operations requires that the PF-011 report be reviewed and certified by management/supervision to verify the access on the report agrees with the user's current job function.

WE RECOMMEND Clinton/Shiawassee County FIA have management/supervision review the Operator Identification Report (PF-011) in order to verify that access to the Client Information System agrees with current job functions for staff.

### **Payroll and Timekeeping**

#### **Payroll Certification**

7. Clinton/Shiawassee County FIA had not established adequate control over the payroll process.

The timekeepers at Clinton/Shiawassee County FIA certified the payroll on the Data Collection and Distribution System (DCDS) before the payroll was reviewed and approved by management responsible for certifying the payroll.

The Primary Internal Control Criteria for Local/District Office Operations requires that the payroll be certified on DCDS after the authorized certifier reviews and approves the Time and Attendance Summary Report (HR-332A).

WE RECOMMEND Clinton/Shiawassee County FIA certify the payroll on the Data Collection Distribution System (DCDS) after the authorized certifier has reviewed and approved the payroll.

### **SHIAWASSEE COUNTY FIA**

### **FINDINGS AND RECOMMENDATIONS**

The following are areas where we found that Shiawassee County FIA had a control weakness or was not operating in accordance with FIA policies and procedures that are described in manuals or instructional letters.

## **Cash Receipts**

### **Mail Opening and Preparation of the Mail Logs**

8. Shiawassee County FIA did not establish adequate control over negotiable instruments received in the mail. Two staff did not always open the mail. A review of the mail logs for January through May, 2001 disclosed that one staff opened the mail and signed 42% of the logs prepared.

The Primary Internal Control Criteria for Local/District Office Operations, and Accounting Manual 431, page 1, require two staff to open the mail and sign the mail logs.

WE RECOMMEND Shiawassee County FIA have two staff open the mail and sign the mail logs, as required by the Internal Control Criteria and Accounting Manual 431.

See also Common Recommendation #1, page 2.

## **Cash Disbursements**

No findings in this area.

## **General Ledger**

No findings in this area.

## **Modified Accrual Basis Balance Sheet**

No findings in this area.

## **Safe and Controlled Documents**

### **Inventory Control of Controlled Documents**

9. Shiawassee County FIA did not maintain adequate inventory control over the use or record keeping of controlled documents. Our review disclosed the following:

- a. The Local Office did not coordinate the month end physical inventory of Voucher Checks, Official Cashiers Receipts, Michigan Bridge Cards, and Purchase Orders with the monthly cutoff date for fiscal transactions. As a result the monthly physical inventory was taken after documents had been used in the subsequent month. The physical inventory should be coordinated with the cutoff date for fiscal transactions to ensure a proper cutoff before any documents are used in the next month's business.
- b. The beginning and ending series numbers and the number of documents recorded on Line 7 (Number of Documents used during the month according to the accounting records) on the Monthly Controlled Document and Inventory Reconciliation (FIA-4351) for Voucher Checks, Official Cashier Receipts, Michigan Bridge Cards, and Purchase Orders did not agree with the accounting records. This resulted from taking the monthly physical inventory after documents had been used in the next month.

Accounting Manual Item 403, page 14 requires the beginning and ending series numbers of documents used on the Check Register, Cash Receipts Register, and Purchase Order/Invoice Register (FIA-2084) to be entered on line 7.

WE RECOMMEND Shiawassee County FIA coordinate the month end physical inventory and reconciliation of Voucher Checks, Official Cashier Receipts, Michigan Bridge Cards, and Purchase Orders with the fiscal office cutoff date for transactions.

WE ALSO RECOMMEND Shiawassee County FIA record the series numbers of documents used per the Check Register, Cash Receipts Register, and the Purchase Order/Invoice Register on line 7 of the Monthly Controlled Document and Inventory Reconciliation (FIA-4351).

**Medical Transportation**

No findings in this area.

**State Emergency Relief**

See Common Recommendation #2, page 3 & 4.

**Employment Support Services**

No findings in this area.

**Client Processing**

No findings in this area.

## **CIS/ASSIST**

### **Client Information System (CIS) Status Codes**

10. Shiawassee County FIA had assigned Client Information System (CIS) status codes that were inconsistent with staff job responsibilities. A Family Independence Manager had been assigned “FLM” status on CIS.

The Primary Internal Control Criteria for Local/District Office Operations states that Family Independence Managers should be assigned “INQ” or “REG” status on CIS.

Assigning CIS status codes that allow staff access to transactions that are inconsistent with their job functions or responsibilities increases the risk of unauthorized transactions being processed that would not be detected in a reasonable period of time.

WE RECOMMEND Shiawassee County FIA change the Client Information System (CIS) status code of the Family Independence Manager to Inquiry (INQ).

See also Common Recommendation #3-6, page 4-7.

### **Incompatible Client Information System (CIS)/ASSIST Job Types**

11. Shiawassee County FIA had assigned CIS/ASSIST job types that were incompatible. The ASSIST Security Coordinator had been assigned “CRS” status on CIS and job type 360 on ASSIST.

The Primary Internal Control Criteria for Local/District Office Operations states that the ASSIST Security Coordinator should not have file maintenance capability on CIS, or update capability in ASSIST.

Assigning staff ASSIST job types that allow them to register and open cases on ASSIST does not allow for the proper separation of duties.

WE RECOMMEND Shiawassee County FIA delete the ASSIST Security Coordinator's "CRS" status on CIS, and the 360 (Registration Support Clerk) ASSIST job profile.

#### Review of the ASSIST Security Violation Report (VB-9163)

12. Shiawassee County FIA did not have the ASSIST Security Coordinator review the ASSIST Security Violation Report (VB-9163) for security violations. This report is system generated each day a security violation occurs. ASSIST system security is strengthened when there is a current review of any security violations by the security officer.

WE RECOMMEND Shiawassee County FIA have the ASSIST Security Officer review the ASSIST Security Violation Report (VB-9163).

#### **IRS Information Security**

No findings in this area.

#### **Payroll and Timekeeping**

##### Payroll Reconciliation

13. Shiawassee County FIA did not reconcile the Time and Attendance Summary Report (HR-332A) with the Employee Time and Attendance Report (FIA-4299). The Primary Internal Control Criteria for Local/District Office Operations states that the completed payroll is to be reconciled with the individual employee FIA-4299s to ensure that hours were properly entered on the HR-332A.

WE RECOMMEND Shiawassee County FIA reconcile the Time and Attendance Summary Report (HR332A) with the Individual Employee Time and Attendance Report (FIA4299).

See also Common Recommendation #7, page 7.

#### **Procurement Card**

No findings in this area.

#### **Contracting**

No findings in this area.

#### **CLINTON COUNTY FIA**

#### **FINDINGS AND RECOMMENDATIONS**

The following are areas where we found that Clinton County FIA had a control weakness or was not operating in accordance with FIA policies and procedures that are described in manuals or instructional letters. The scope of our review at Clinton County FIA was limited to the areas listed.

#### **Cash Receipts**

See common recommendation #1, page2.

#### **Cash Disbursements**

No findings in this area.

#### **Safe and Controlled Documents**

No findings in this area.



### **Medical Transportation**

No findings in this area.

### **State Emergency Relief**

See Common Recommendation #2, page3-4.

### **Employment Support Services**

#### **Vehicle Purchases**

14. Clinton County FIA did not always follow established policy prior to purchasing vehicles for customers through the Employment Support Services (ESS) Program. Five case records were examined for the required documentation to support a vehicle purchase. Two case records did not have the Non-Cash Assistance Employment Support Services (FIA-4749) form on file, as required by Program Eligibility Manual (PEM) Item 232, page 5. Three cases did not have verification of car insurance, two cases did not have documentation that the vehicle had been inspected by a licensed mechanic, and one case did not have documentation that the customer had a valid driver's license, as required by PEM Item 232, pages 11 and 12.

WE RECOMMEND Clinton County FIA prepare the Non-Cash Assistance Employment Support Services (FIA-4749) form and verify and document in the case record proof of car insurance, inspection, and valid driver's license, prior to purchasing vehicles through the Employment Support Services Program.

### **Client Processing**

No findings in this area.

### **CIS/ASSIST**

See Common Recommendation #3-6, page 4-7.

### **IRS Information Security**

No findings in this area.

### **Payroll and Timekeeping**

#### **Time and Attendance Sheet (FIA4299) Approval**

15. Clinton County FIA did not establish adequate control of staff time and attendance. Examination of the payroll period ending May 26, 2001 disclosed four Employee Time and Attendance Reports (FIA4299) that had not been signed by the staffs' supervisor.

Internal Control over the payroll process is improved when all Time and Attendance Reports are signed by supervisors attesting to the accuracy of the reported time.

WE RECOMMEND Clinton County FIA supervisors approve all Employee Time and Attendance Reports (FIA4299).

See also Common Recommendation #7, page 7.

### Payroll Corrections

16. Clinton County FIA had not established adequate control over the payroll correction process. The timekeeper did not have the certifier approve the correction being made.

Internal Control over the payroll correction process is improved when the management staff authorized to certify the payroll approves payroll corrections.

WE RECOMMEND Clinton County FIA have the authorized certifier approve all payroll corrections.

### Procurement Card

No findings in this area.

### Contracting

No findings in this area.